

# Campaign Finance: Potential Legislative and Policy Issues for the 111<sup>th</sup> Congress

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## Summary

This report provides an overview of selected campaign finance policy issues that may receive, or have received, attention during the 111<sup>th</sup> Congress. Congress continues to consider the Supreme Court's January 21, 2010, ruling in *Citizens United v. Federal Election Commission*. The decision has shaped much of the legislative debate on campaign finance issues during the second session of the 111<sup>th</sup> Congress. Thus far, most congressional attention responding to the ruling has focused on the DISCLOSE Act (H.R. 5175; S. 3295; S. 3628). H.R. 5175 passed the House on June 29, 2010. On a related note, on July 29, 2010, the Committee on Financial Services ordered reported H.R. 4790. The bill would require additional disclosure of political expenditures to corporate shareholders and is designed as a partial response to *Citizens United*.

Other than attention to *Citizens United*, four aspects of campaign finance policy have been subject to major actions thus far during the 111<sup>th</sup> Congress. First, in April 2009, the House passed legislation (H.R. 749) concerning authority to disburse campaign funds after a candidate's death. Second, on June 10, 2009, the Committee on House Administration favorably reported H.R. 512 (Davis, CA). The bill would amend the Federal Election Campaign Act (FECA) to restrict certain state election officials from involvement in others' campaigns. Third, on July 28, 2009, the Committee on House Administration held a hearing on H.R. 1826, a bill that would publicly finance House campaigns. The committee ordered reported a successor bill, H.R. 6116, on September 23, 2010. Finally, the Senate considered the nomination of John J. Sullivan to be a member of the Federal Election Commission for much of the 111<sup>th</sup> Congress. However, the President withdrew the nomination on August 5, 2010.

Questions about the health of the presidential public financing system were especially prominent during the 2008 election cycle. Two bills to revamp the presidential public financing system were introduced in late July 2010. Neither H.R. 6061 nor S. 3681 have been the subject of additional action. Also in the 111<sup>th</sup> Congress, Representative Cole has introduced legislation (H.R. 2992) to repeal public financing for presidential nominating conventions. Legislation on public financing of congressional campaigns was introduced in early 2009 (H.R. 158, H.R. 1826, H.R. 2056, S. 751, and S. 752). H.R. 6116, apparently intended to supersede H.R. 1826, was introduced in September 2010 and, as noted above, was ordered reported.

Recent election cycles also witnessed new or expanded techniques for raising and spending money, such as bundling, joint fundraising committees, and hybrid advertising. Remaining issues from the 110<sup>th</sup> Congress, such as electronic filing of Senate campaign finance reports (S. 482 and S. 1858 in the 111<sup>th</sup> Congress), may also receive renewed scrutiny. Other issues, such as 527 organizations, may also be addressed. Congressional oversight of the FEC could also be on the legislative agenda.

Some of the issues discussed in this report have only recently received substantial attention. Others have long been controversial. All appear likely to remain prominent policy issues. Whether Congress decides to pursue these or other campaign finance issues, common questions about the role of money in politics, transparency, and the need for additional regulation are likely to shape the debate.

The text of this report was last updated November 3, 2010. It will not be updated but remains relevant for historical reference. For more recent discussion, see CRS Report R41542, *The State of Campaign Finance Policy: Recent Developments and Issues for Congress*, by R. Sam Garrett.

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## Introduction

This report provides an overview of selected campaign finance policy issues that have received recent legislative attention, or have otherwise been prominent, and which could receive attention during the 111<sup>th</sup> Congress. Specifically, the report emphasizes nine issues: (1) bundling; (2) campaign travel aboard private aircraft; (3) electronic filing of Senate campaign finance reports; (4) the Federal Election Commission (FEC); (5) hybrid political advertising; (6) joint fundraising committees; (7) public financing of presidential campaigns; (8) 527 organizations; and (9) the related topic of restricting campaign activity among certain state election officials. The report includes a brief overview of each issue followed by a discussion of recent legislation (if any) and policy considerations. Legislative or regulatory activity, developments during recent election cycles, or a combination of all those factors suggest that each issue will remain a topic of debate during the 111<sup>th</sup> Congress. This report is not intended to provide an exhaustive discussion of each topic. In some cases (noted throughout the report) other CRS products provide additional detail.

The topics addressed in this report are typically considered separately, suggesting targeted legislation if Congress chooses to revisit the issues. The 111<sup>th</sup> Congress could also consider broad legislation addressing one or more campaign finance issues. However Congress decides to proceed, the debate will likely be shaped by questions of (1) amounts and sources of money; (2) transparency; and (3) scope of regulation. As the final section of this report discusses, these factors unify the seemingly disparate policy issues discussed in the report and are common themes in the debate over campaign finance policy.

## Campaign Finance Activity in the 110<sup>th</sup> Congress: A Brief Review

During the 110<sup>th</sup> Congress, approximately 50 legislative measures affecting federal campaign finance policy were introduced. Two became law.<sup>1</sup> Most significantly, the Honest Leadership and Open Government Act (HLOGA; P.L. 110-81) restricted campaign travel aboard private aircraft and required political committees to report additional information to the FEC about certain contributions bundled by lobbyists. In addition, late in the second session of the 110<sup>th</sup> Congress, the FEC's Administrative Fine Program, which had been scheduled to expire, was extended until 2013 (P.L. 110-433).

Other issues received hearings or floor votes but did *not* become law. These included

- House *passage* of legislation affecting campaign payments to candidate families (H.R. 2630, Schiff); disbursement of campaign funds by non-treasurers (H.R. 3032, Jones (NC)); and funding for certain criminal enforcement of the Bipartisan Campaign Reform Act (H.R. 3093, the relevant provision was an amendment sponsored by Representative Pence);
- A Committee on House Administration, Subcommittee on Elections, *hearing* on automated political telephone calls;<sup>2</sup>
- Senate Rules and Administration Committee *hearings* on public financing of congressional campaigns (S. 1285, Durbin); coordinated party expenditures (S. 1091, Corker); electronic filing of Senate campaign finance reports (S. 223,

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<sup>1</sup> See CRS Report RL34324, *Campaign Finance: Legislative Developments and Policy Issues in the 110<sup>th</sup> Congress*, by R. Sam Garrett.

<sup>2</sup> This was an oversight hearing, although various bills on the topic were introduced. See CRS Report RL34361, *Automated Political Telephone Calls ("Robo Calls") in Federal Campaigns: Overview and Policy Options*, by R. Sam Garrett and Kathleen Ann Ruane.

Feingold); FEC nominations; and automated political telephone calls (S. 2624, Feinstein).

## ***Citizens United v. Federal Election Commission: Shaping Debate for the Second Session***

Perhaps the most prominent policy concern for the second session of the 111<sup>th</sup> Congress has been developments surrounding a recent Supreme Court ruling. On January 21, 2010, the Court issued a 5-4 decision in *Citizens United v. Federal Election Commission*.<sup>3</sup> A legal analysis of the case is beyond the scope of this report and, indeed, the precise implications of the case remain to be seen. Additional discussion of various policy and legal issues appears in other CRS products.<sup>4</sup>

In essence, however, the opinion invalidated aspects of the Bipartisan Campaign Reform Act's (BCRA) electioneering communication provision, which had prohibited corporations and unions from using their treasury funds to air broadcast ads referring to clearly identified federal candidates within 60 days of a general election or 30 days of a primary election or caucus.<sup>5</sup> Perhaps more notably, the decision also overturned the Supreme Court's 1990 ruling in *Austin v. Michigan Chamber of Commerce*, which had upheld restrictions on corporate-funded independent expenditures.<sup>6</sup> (*Citizens United* appears not to affect the ban on corporate or union contributions to political candidates.) As a consequence of *Citizens United*, corporations—and presumably unions—now appear to be free to use their treasury funds to air political advertisements explicitly calling for election or defeat of federal (or state) candidates. Previously, such advertising would generally have had to be financed through voluntary contributions raised by political action committees (PACs) affiliated with unions or corporations.

Unlimited, albeit independent, expenditures by corporations and unions has spurred legislative action in Congress, although no post-*Citizens United* measures have become law. Possible policy responses for those favoring additional regulation include enacting public campaign financing legislation, altering contribution limits, pursuing shareholder protection initiatives, easing restrictions on coordinated party expenditures, or amending the Constitution, among others. By contrast, those who believe that *Citizens United* correctly strengthens corporate speech rights may prefer the status quo, in which case no legislative action may be necessary.

Thus far, most congressional attention responding to the ruling has focused on the DISCLOSE Act (H.R. 5175; S. 3295; S. 3628). The House of Representatives passed H.R. 5175, with amendments, on June 24, 2010, by a 219-206 vote. By a 57-41 vote, the Senate declined to

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<sup>3</sup> *Citizens United v. Federal Election Commission* (2010), no. 08-205. The Supreme Court's slip opinion is available at <http://www.supremecourtus.gov/opinions/09pdf/08-205.pdf>.

<sup>4</sup> For additional discussion, see CRS Report R41054, *Campaign Finance Policy After Citizens United v. Federal Election Commission: Issues and Options for Congress*, by R. Sam Garrett; CRS Report R41045, *The Constitutionality of Regulating Corporate Expenditures: A Brief Analysis of the Supreme Court Ruling in Citizens United v. FEC*, by L. Paige Whitaker; CRS Report R41096, *Legislative Options After Citizens United v. FEC: Constitutional and Legal Issues*, by L. Paige Whitaker et al.; and CRS Report R41264, *The DISCLOSE Act: Overview and Analysis*, by R. Sam Garrett, L. Paige Whitaker, and Erika K. Lunder.

<sup>5</sup> BCRA is P.L. 107-155; 116 Stat. 81. BCRA amended the Federal Election Campaign Act (FECA), which appears at 2 U.S.C. § 431 *et seq.* It appears that *Citizens United* upheld disclosure and disclaimer requirements for electioneering communications.

<sup>6</sup> See *Austin v. Michigan Chamber of Commerce*, 494 U.S. 652 (1990); and CRS Report RL30669, *The Constitutionality of Campaign Finance Regulation: Buckley v. Valeo and Its Supreme Court Progeny*, by L. Paige Whitaker.

invoke cloture on companion bill S. 3628 on July 27, 2010.<sup>7</sup> A second cloture vote failed (59-39) on September 23, 2010.<sup>8</sup> The bill remains on the calendar. On a related note, on July 29, 2010, the Committee on Financial Services ordered reported H.R. 4790.<sup>9</sup> The bill would require additional disclosure of political expenditures to corporate shareholders and is designed as a partial response to *Citizens United*.

## Other Emerging Campaign Finance Policy Issues

Some of the issues considered during the 110<sup>th</sup> Congress might be—or have been—addressed again during the 111<sup>th</sup> Congress. Others became prominent during recent election cycles, especially 2008, and appear to be ongoing. The following discussion provides additional detail about selected issues that may continue to be on the legislative or oversight agenda.

### Authority to Disburse Campaign Funds

The Federal Election Campaign Act (FECA)<sup>10</sup> assigns campaign treasurers with primary responsibility for filing FEC reports and ensuring that political committees comply with the act.<sup>11</sup> Treasurers—not candidates—are legally responsible for disbursing campaign funds.<sup>12</sup> In fact, FECA does not specify a role for candidates in campaign financial decisions. As a practical matter, however, candidates may exert substantial informal influence over campaign spending.

In recent Congresses, some Members have expressed concern about how campaign funds would be spent in the event a candidate died. On March 25, 2009, the House Committee on Administration reported H.R. 749 (Jones, NC) by voice vote and without amendment. The bill would permit candidates to designate to the FEC an individual to direct campaign spending following the candidate's death. That designation would supersede the treasurer's normal spending responsibilities, but would not affect the treasurer's reporting or other responsibilities. A backup could also be identified if the designee died, became incapacitated, or were unable or unwilling to carry out his or her responsibilities. The bill also permits candidates to specify their wishes about how funds would be disbursed. On April 22, 2009, H.R. 749 passed the House by voice vote and under suspension of the rules. The measure was subject to only brief debate and received bipartisan support. H.R. 749 is virtually identical to H.R. 3032, also sponsored by Representative Jones, and which the House passed on July 15, 2008, under suspension of the rules and by voice vote. The Senate took no action on the bill during the 110<sup>th</sup> Congress, nor has it done so thus far during the 111<sup>th</sup> Congress.

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<sup>7</sup> "DISCLOSE Act—Motion to Proceed," Senate vote 220, *Congressional Record*, daily edition, vol. 156 (July 27, 2010), p. S6285.

<sup>8</sup> "DISCLOSE Act—Motion to Proceed—Resumed," Senate vote 240, *Congressional Record*, daily edition, vol. 156 (September 23, 2010), p. S7388.

<sup>9</sup> U.S. Congress, House Committee on Financial Services, *Shareholder Protection Act of 2010*, report to accompany H.R. 4790, 111<sup>th</sup> Cong., 2<sup>nd</sup> sess., September 22, 2010, [http://www.congress.gov/cgi-lis/cpquery/R?cp111:FLD010:@1\(hr620\):H.Rept. 111-620](http://www.congress.gov/cgi-lis/cpquery/R?cp111:FLD010:@1(hr620):H.Rept. 111-620) (Washington: GPO, 2010).

<sup>10</sup> 2 U.S.C. § 431 *et seq.*

<sup>11</sup> See, for example, 2 U.S.C. § 432(a). On treasurer responsibilities, see 2 U.S.C. § 434(a)(1); 2 U.S.C. § 432(c); and 2 U.S.C. § 432(d).

<sup>12</sup> See, for example, 11 C.F.R. § 102.7(c). Other designees, such as assistant treasurers, may also perform treasurer duties. See also Federal Election Commission, *Committee Treasurers*, brochure, Washington, DC, March 2007, <http://www.fec.gov/pages/brochures/treas.shtml>.

## Policy Considerations

H.R. 749, and its predecessor (H.R. 3032) have received bipartisan support amid candidates' desires to influence their campaign spending and make their wishes clear. To that end, H.R. 749 could alleviate the potential for asset disputes following candidate deaths. That outcome, however, depends on designees adhering to candidate wishes, and assumes that designees would be more faithful to candidate wishes than would be treasurers.

H.R. 749 could create different levels of candidate authority over spending in life than in death. Specifically, although H.R. 749 would provide a mechanism for circumventing the treasurer after a candidate dies, the bill would not provide additional remedies for such action while the candidate is living. This may be a minor distinction due to candidates' *de facto* influence over their campaigns, despite FECA's general silence on the issue. Nonetheless, if Congress chose to enact H.R. 749 and felt it were important to create parity in candidates' abilities to direct campaign spending, it could amend FECA to create a clearer candidate role over campaign funds regardless of whether the candidate is living or dead. Congress might also provide explicit permission in FECA for candidates to hire and fire campaign treasurers.

## Bundling

Bundling is a fundraising practice in which an intermediary either receives contributions and passes them on to a campaign or is credited with soliciting contributions that go directly to a campaign. Lobbyists often serve as bundlers. Bundling has been prominent in recent years both because of the additional disclosure required in HLOGA and because of the role bundling played in the 2008 presidential elections.<sup>13</sup>

Bundling opponents contend the practice allows individuals to circumvent FECA by delivering larger contributions than they could on their own, even though those contributions are funded by multiple sources.<sup>14</sup> Critics also point to anecdotal evidence suggesting that some contributions routed through bundlers might have been coerced or come from impermissible sources.<sup>15</sup> Nonetheless, bundling is not prohibited by FECA or FEC regulations; it is also a common fundraising practice.

The FEC unanimously approved rules implementing HLOGA's bundling provisions on December 18, 2008. An "explanation and justification" (E&J) statement approved in February 2009 provided additional guidance and clarified the commission's decision-making process.<sup>16</sup> HLOGA's major requirement regarding bundling, and the major requirement in the new bundling rules, is that political committees<sup>17</sup> report contributions "reasonably known" to be bundled if at least two of those contributions aggregated at least \$15,000 (\$16,000 as adjusted for inflation in 2010) during specified reporting periods. Only contributions bundled by registered lobbyists must be included in bundling disclosure reports. Committees are to determine whether bundlers are

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<sup>13</sup> See, for example, Brody Mullins and Ianthe Jeanne Dugan, "Mega-Bundlers Up Financing Ante," *Wall Street Journal*, November 5, 2008, p. A4.

<sup>14</sup> See, for example, "In Costly Election's Wake, Give us Real Campaign Reform," *Santa Fe New Mexican*, November 9, 2008, p. B2.

<sup>15</sup> See, for example, "Baleful Bundlers," *New York Times*, August 11, 2008, p. A16.

<sup>16</sup> Federal Election Commission, "Reporting Contributions Bundled by Lobbyists, Registrants and the PACs of Lobbyists and Registrants," 74 *Federal Register* 7285, February 17, 2009.

<sup>17</sup> The requirements apply to authorized committees (candidates' principal campaign committees), party committees, and leadership PACs.



registered lobbyists by consulting the websites of the Clerk of the House, Secretary of the Senate, or FEC (in the case of PACs maintained or controlled by registered lobbyists). The commission noted in the new rules that other sources of knowledge about lobbyists' bundling activities could also trigger reporting requirements. (As discussed in the next section, however, credit plays a more prominent role in bundling disclosure than does knowledge.)

Two aspects of the new bundling rules have generated some controversy. The first concerns whether political committees "credit" particular lobbyists with raising bundled contributions. Under the new rules, political committees are required to report contributions as being bundled only if the committee has awarded (through external recognition or internal records) credit to a particular lobbyist or lobbyists for having bundled the contributions.<sup>18</sup> As the commission noted in the E&J, a lobbyist merely *claiming* to have bundled contributions does not necessarily warrant disclosure, nor does committee knowledge of a lobbyist being a bundler if the committee has not credited that person with bundling for the committee.<sup>19</sup> According to the commission, "[M]ere knowledge [of bundling], in and of itself, is not enough. Rather, it is necessary for a reporting committee to credit through 'records, designations, or other means of recognizing that a certain amount of money has been raised' before reporting is required."<sup>20</sup>

The second area of contention, related to the first, concerns how credit is awarded for jointly hosted fundraising events. Under the new rules, all hosts of joint fundraising events would have to be listed in bundling disclosure reports only if those hosts were registered lobbyists and were credited by the campaign with raising bundled contributions that met the \$16,000 threshold. As the FEC stated in the E&J, for example, an event co-hosted by three lobbyists that generated \$20,000 would require bundling disclosure attributing the entire amount to only the one lobbyist the committee credited with having been responsible for raising the funds (assuming the committee did not award credit to the other two). In cases in which more than one lobbyist is credited with raising funds, the committee must report the share raised by and credited to each individual.<sup>21</sup>

Some groups have criticized both these components of the rules, suggesting that they could permit political committees to avoid disclosing bundling activities simply because they do not award tangible credit for doing so. The joint-fundraiser provisions, they say, also could allow committees to avoid disclosing the roles of some bundlers through manipulation of crediting arrangements.<sup>22</sup> The FEC, however, contends that awarding credit is the "focus of HLOGA Section 204" [the bundling provision] and that the rules are consistent with the law's legislative history.<sup>23</sup>

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<sup>18</sup> See, for example, Federal Election Commission, "Reporting Contributions Bundled by Lobbyists, Registrants and the PACs of Lobbyists and Registrants," 74 *Federal Register* 7285, February 17, 2009, pp. 7292-7293.

<sup>19</sup> *Ibid.*, pp. 7293-7296.

<sup>20</sup> *Ibid.*, p. 7295.

<sup>21</sup> *Ibid.* pp. 7296-7297.

<sup>22</sup> See, for example, Paul S. Ryan, "President Obama Gets Short Shrift from FEC in Lobbyist Bundling Rules," Campaign Legal Center Blog at [http://www.clcblog.org/blog\\_item-271.html](http://www.clcblog.org/blog_item-271.html); posted February 4, 2009.

<sup>23</sup> Federal Election Commission, "Reporting Contributions Bundled by Lobbyists, Registrants and the PACs of Lobbyists and Registrants," 74 *Federal Register* 7285, February 17, 2009, p. 7293.



## Policy Considerations

If Congress chooses to revisit bundling policy, two perspectives could be relevant. The first emphasizes reporting *information* about bundling. The second emphasizes further regulating bundling *practices*.

From the reporting (disclosure) perspective, a key question is whether campaigns should continue to be permitted to provide information only about bundling by registered lobbyists. If so, existing requirements could be sufficient, provided that Congress is satisfied with the reporting criteria established in HLOGA and FEC regulations.<sup>24</sup> Congress may also wish to monitor continued FEC implementation of the HLOGA requirements and the effectiveness of the new reporting process, which took effect during the spring and summer of 2009. If it chose to do so, Congress could also amend Section 204 of HLOGA to require different disclosure than is articulated in the new bundling rules.

From a broader perspective, Congress may wish to increase transparency about bundling overall, including by non-lobbyists. A relatively straightforward way to do so could be to extend the existing disclosure requirements to cover bundling by anyone, regardless of profession.<sup>25</sup> During the 110<sup>th</sup> Congress, S. 2030 (Obama) essentially proposed such an approach; the bill did not advance beyond committee referral.<sup>26</sup>

If Congress adopted the view that bundling should be discouraged or reduced, additional regulation could be necessary. For example, limits could be applied to the amount or number of contributions arranged by a single bundler. Bundling could also be banned altogether. Depending on specifics, however, a ban could prohibit even basic fundraising involving multiple contributors.

For those who believe that bundling circumvents FECA, additional restrictions or disclosure requirements could enhance transparency, limit the prevalence of bundling, or both. On the other hand, those restrictions could increase compliance burdens for the regulated community. Finally, those who view bundling as an efficient and effective fundraising practice may object to further regulation.

## Campaign Travel Aboard Private Aircraft

In addition to the bundling restrictions discussed above (and other issues), HLOGA restricts campaign travel on private, non-commercial aircraft (e.g., charter jets).<sup>27</sup> Before HLOGA became law, under 2003 FEC regulations<sup>28</sup> political committees were permitted to reimburse those providing private aircraft at the rate of first-class travel as long as commensurate first-class

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<sup>24</sup> 2 U.S.C. § 434(I) and *ibid*.

<sup>25</sup> An alternative approach could be to strengthen existing restrictions on conduits and earmarked contributions. See 2 U.S.C. § 441a(a)(8). Although those requirements appear to require that bundled contributions count against the bundler's personal contribution limit, they can be easily avoided by designating bundlers as campaign fundraisers.

<sup>26</sup> Four other bills introduced in the 110<sup>th</sup> Congress—H.R. 776 (Meehan), S. 436 (Feingold), H.R. 4294 (Price, NC), and S. 2412 (Feingold)—also contained bundling provisions. Many of these provisions were eventually enacted in HLOGA (after some of the four bills cited above had been drafted and introduced).

<sup>27</sup> Portions of this section are adapted from CRS Report RL34324, *Campaign Finance: Legislative Developments and Policy Issues in the 110<sup>th</sup> Congress*, by R. Sam Garrett, which provides additional historical discussion.

<sup>28</sup> Federal Election Commission, "Travel on Behalf of Candidates and Political Committees," 68 *Federal Register* 69583, December 15, 2003. See also 11 C.F.R. § 100.93.

commercial service were available for the route flown.<sup>29</sup> Reimbursement at non-discounted coach or charter rates was required if commensurate first-class service were unavailable on the route.

By contrast, under HLOGA, Senators, candidates, and campaign staff may continue to travel on private aircraft only if they reimburse the entity providing the aircraft for the “pro rata share of the fair market value” for rental or charter of a comparable aircraft (e.g., the charter rate). The latter rates would typically be well above the old first-class rate that applied to most flights before HLOGA took effect. Unlike their Senate counterparts, House Members, candidates, and campaign staff are “substantially banned” from flying aboard private, non-commercial aircraft, as HLOGA precludes reimbursements for such flights.<sup>30</sup>

Although the FEC adopted *rules* to implement HLOGA’s air-travel provisions in December 2007, a required explanation and justification statement was not adopted before the commission lost its policymaking quorum in January 2008. Consequently, the air-travel rules were never published in the *Federal Register* and never took effect. Additional nominees were confirmed to the commission in June 2008, bringing the agency back to full policymaking strength. However, the commission did not finalize the HLOGA travel regulations until November 2009.

Under the rules adopted by the FEC on December 14, 2007—but never finalized—Senate, presidential, and vice-presidential campaign travel aboard private aircraft was required to be reimbursed at the “pro-rata share” of the charter rate. These requirements also would have applied to travel on behalf of PACs (including leadership PACs<sup>31</sup>) and party committees. In essence, this meant that presidential, vice-presidential, or Senate campaign travel occurring aboard charter aircraft would have had to be paid for based on charter rates. HLOGA essentially banned reimbursement for House campaign travel aboard private aircraft, as was evident in the 2007 rules.

On November 19, 2009, the commission revisited the travel rules at an open meeting.<sup>32</sup> During the meeting, commissioners debated congressional intent in the relevant section (601) of HLOGA and potential interpretations of the statute.<sup>33</sup> A motion to approve an explanation and justification (E&J) statement supporting the December 2007 rules failed by a 3-3 deadlocked vote along partisan lines. Immediately afterward, alternative rules and an accompanying E&J were approved by a 4-2 vote in which Chairman Walther (I)<sup>34</sup> joined Republican Commissioners Hunter,

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<sup>29</sup> Campaigns must reimburse service-providers for travel (or other services) so that vendors do not make, or campaigns do not receive, prohibited “in-kind” contributions that are excessively expensive, come from prohibited sources, or both.

<sup>30</sup> 121 Stat. 774; and CRS Report RL34166, *Lobbying Law and Ethics Rules Changes in the 110<sup>th</sup> Congress*, by Jack Maskell.

<sup>31</sup> As noted previously, leadership PACs provide an additional mechanism for candidates to make contributions to their colleagues’ campaigns or other political committees.

<sup>32</sup> At the meeting, Chairman Walther stated his preference for the 2007 rules but noted his willingness to join the Republican Commissioners in supporting the new rules in order to complete the rulemaking and provide guidance to the regulated community. See also Steven T. Walther, *Statement of Chairman Steven T. Walther, Campaign Travel Regulations*, Office of the Chairman, Federal Election Commission, Washington, DC, November 19, 2009, <http://www.fec.gov/agenda/2009/mtgdoc-walther-statement.pdf>.

<sup>33</sup> Audio and agenda documents from the meeting are available at <http://www.fec.gov/agenda/2009/agenda20091119.shtml>. Refer, for example, to the comments of Commissioners Petersen and Weintraub. For additional background, see, for example, Kenneth P. Doyle, “FEC Vote Allows Senators to Take Flights,” *Daily Report for Executives*, November 20, 2009, pp. A-14.

<sup>34</sup> Previous versions of this report referred to Walther as a Democrat, while noting that some media accounts identified him as an Independent. The FEC seating chart distributed at Commission meetings, which this report has also used as a source for party affiliation, now lists Walther as an Independent.

McGahn, and Petersen to constitute a majority.<sup>35</sup> Consequently, the new rules and E&J superseded the never-finalized 2007 rules.

A detailed discussion of the lengthy and complex new rules is beyond the scope of this report. Essentially, however, the 2009 rules distinguish between restrictions on *campaign* travel and travel on behalf of PACs or political parties. The rules also require charter-rate reimbursement in some circumstances but permit reimbursement at coach, first-class, or charter rates (depending on the route flown) in others.<sup>36</sup> Specifically, the new rules require that *candidate*-oriented travel for presidential, vice-presidential, and Senate travel be reimbursed at the charter rate. By contrast, travel on behalf of party committees or leadership PACs may be reimbursed based on the 2003 regulations (often the first-class rate).<sup>37</sup> House campaign travel—including for House-oriented leadership PACs—aboard private aircraft remains, essentially, prohibited, although travel on behalf of House party committees could be reimbursed at the 2003 rates.<sup>38</sup>

### *Policy Considerations*

Controversy has emerged over the degree to which the November 2009 rules reflect congressional intent as enacted in HLOGA. Some opponents of the new rules suggest that Congress clearly intended for charter-rate reimbursement to apply to all campaign-related travel, even if parties or PACs pay for the flights. They also argue that the rules could provide cover to avoid the more expensive charter-rate reimbursement simply by classifying travel as on behalf of PACs or parties rather than individual Senate campaigns. Defenders of the new rules, however, suggest that Congress required charter-rate reimbursement only for presidential, vice-presidential, or Senate candidate travel and that it would be improper for the FEC to require PACs or parties to reimburse at the charter rate (unless no commercial service were available).<sup>39</sup>

If Congress objects to the new rules, as at least one Senator has,<sup>40</sup> oversight or legislation could be employed. For example, the charter rate could be applied to all campaign travel regardless of whether the travelers are doing so for candidates, parties, or PACs. In addition, Congress could clarify that restrictions on reimbursement by House leadership PACs are also intended to apply to Senate leadership PACs. Congress could also essentially ban Senate campaign travel aboard private aircraft, as is already the case for House campaign travel. As an alternative (or addition) to legislation, Congress could choose to monitor implementation of the new rules to determine

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<sup>35</sup> See agenda document 09-78-A at <http://www.fec.gov/agenda/2009/mtgdoc0978a.pdf>; and Federal Election Commission, “Campaign Travel,” 74 *Federal Register* 63951, December 7, 2009.

<sup>36</sup> As with the previous rules, exceptions exist for aircraft owned or leased by a candidate or family member.

<sup>37</sup> The first-class rate would apply in cases in which commercial first-class service is available for the route flown. Coach reimbursement would apply for cases in which no first-class service is available for the route flown. The charter rate would apply in cases in which no commercial air service were available, meaning that an aircraft would have to be chartered to reach the destination. See 11 C.F.R. § 100.93(c).

<sup>38</sup> Federal Election Commission, “Campaign Travel,” p. 63956.

<sup>39</sup> See, for example, Campaign Legal Center, “FEC Guts HLOGA Candidate Travel Restrictions: Statement of Paul S. Ryan, Campaign Legal Center FEC Program Director,” press release, November 19, 2009, <http://www.campaignlegalcenter.org/press-3772.html>. (The Campaign Legal Center generally supports additional campaign finance regulation.) On counter-arguments to critics of the new rules generally, see, for example, Matthew Petersen, “FEC Implemented Congress’ Vision on Travel Rules,” *Roll Call*, December 1, 2009, p. 10. (Petersen is currently the Commission’s vice chairman.)

<sup>40</sup> Shortly after the rules were adopted, Sen. Feingold stated that “The Commissioners must reverse this decision, or Congress will have to do it for them.” See Office of Sen. Russ Feingold, “Statement of U.S. Senator Russ Feingold on the FEC’s Decision to Gut the Corporate Jet Provision of the 2007 Ethics and Lobbying Law,” press release, November 20, 2009, <http://feingold.senate.gov/record.cfm?id=320153>.

whether travel reported as PAC and party travel actually primarily benefits those entities, or whether it appears to subsidize Senate campaigns. Finally, as is often the case with FEC rulemakings, Congress or others could pursue litigation to revisit the rules. By contrast, however, those who believe that the new rules accurately reflect congressional intent or are otherwise acceptable would likely prefer the status quo, in which case little or no congressional action is necessary.

## Electronic Filing of Senate Campaign Finance Reports

Unlike all other federal political committees (except those raising or spending less than \$50,000 annually), Senate campaign committees, party committees, and PACs are not required to file campaign finance reports electronically.<sup>41</sup> Senate reports are also unique because they are filed with the Secretary of the Senate rather than directly with the FEC. In the 110<sup>th</sup> Congress, the Senate Committee on Rules and Administration reported S. 223 (Feingold), which would have extended electronic filing to Senate reports. The bill was never considered on the Senate floor, despite attempts to bring it up under unanimous consent. Despite the lack of success in the 110<sup>th</sup> Congress, electronic filing remains a widely popular policy proposal. In the 111<sup>th</sup> Congress, Senator Feingold has introduced S. 482. That bill is substantially similar to S. 223 from the 110<sup>th</sup> Congress. Senator Feingold has also introduced S. 1858, which would amend FECA to both require electronic filing and reporting directly to the FEC. The Senate versions of the DISCLOSE Act (S. 3295 and S. 3628) also contain electronic filing provisions.

## Policy Considerations

Two major policy questions surround electronic filing. Both are straightforward. First, should Senate campaign finance reports be filed electronically? Second, if so, where should those reports be filed?

The primary arguments in favor of electronic filing concern efficiency and expense. Currently, a contractor converts the paper reports filed with the Secretary into electronic format. The FEC then makes the reports publicly available on the Internet. The conversion process can take weeks or months at a reported cost of \$250,000 annually.<sup>42</sup> As a result, House campaign finance data filed electronically (and directly with the FEC) are routinely available well before Senate data. Various Members of Congress, campaign finance groups, and media organizations have supported electronic filing. Both the FEC and the Secretary of the Senate have stated publicly that their offices are, or can be, prepared to administer electronic filing.<sup>43</sup>

Electronic filing could eliminate the conversion process and make public disclosure of the data much faster. Electronic filing could, therefore, improve transparency and reduce costs. Requiring electronic filing of Senate reports would also place the same filing responsibilities on Senate committees that currently exist for House candidate committees, party committees, and PACs. As a result, uniform filing standards would apply to all political committees.

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<sup>41</sup> 11 C.F.R. §104.18(a).

<sup>42</sup> Statement of Sen. Dianne Feinstein in “Senate Rules and Administration Committee Holds Markup of S 223, the Senate Campaign Disclosure Parity Act,” *Congressional Quarterly* congressional transcript, Mar. 28, 2007, p. 1. See also Dan Morain, “Senators move donor disclosures at a snail’s pace,” *Los Angeles Times*, Feb. 3, 2007, p. A12.

<sup>43</sup> “Senate Rules and Administration Committee Holds Hearing on Campaign Finance Disclosure,” CQ transcript, March 14, 2007.

There is little, if any, notable opposition to electronic filing itself. However, some Members have called for addressing other campaign finance disclosure issues alongside electronic filing. For example, attempts in the 110<sup>th</sup> Congress to bring up S. 223 were unsuccessful amid a dispute over whether the bill would be amended to require groups filing ethics complaints to disclose their donors.<sup>44</sup> Similarly, at a March 2007 Senate Rules and Administration Committee hearing on S. 223, Senator Stevens emphasized the need to also consider disclosure requirements for 527 organizations.

Filing location has been a secondary issue of debate. Senate reports are currently filed with the Secretary of the Senate rather than with the FEC. Bypassing filing with the Secretary of the Senate could make reports more readily accessible to the public and could reduce delay or costs associated with transmitting the reports to the FEC. If campaign finance reports are considered Senate documents, however, some may object to their being filed with the FEC. During the 110<sup>th</sup> Congress, Senator Feinstein reported at a markup of S. 223 that Senator Byrd raised concerns about the possibility of filing directly with the FEC because he viewed filing with the Secretary as a matter of Senate prerogative.<sup>45</sup>

## Federal Election Commission Issues

The 1974 FECA amendments established the FEC, which enforces civil compliance with campaign finance law.<sup>46</sup> The commission also facilitates disclosure of federal campaign finance data and administers the presidential public financing program.<sup>47</sup> Six presidentially appointed commissioners lead the agency; the Senate may confirm or reject nominations to the FEC.<sup>48</sup>

The 110<sup>th</sup> Congress enacted one bill affecting the agency's functioning. P.L. 110-433, which President George W. Bush signed in October 2008, extended authority for the FEC's Administrative Fine Program (AFP) until 2013. (The program had been set to expire at the end of 2008.) The AFP sets standard penalties for routine financial-reporting violations and requires fewer resources than the commission's full enforcement process, which can involve protracted negotiations, litigation, or both.

During the 111<sup>th</sup> Congress, the FEC has had and will have responsibility for implementing any changes to campaign finance law that Congress enacts or judicial rulings that affect campaign finance law or regulation. Internal commission issues, including "deadlocked" votes—those which fail to achieve at least a four vote majority for or against an action—are also potentially noteworthy. As noted elsewhere in this report, commission rulemakings, particularly on campaign travel aboard private aircraft, could also receive congressional consideration.

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<sup>44</sup> For example, see the exchange between Senators Ensign and Feinstein at "Unanimous Consent Request—S. 223." Remarks in the Senate. *Congressional Record*, daily edition, vol. 153 (September 24, 2007), p. 11997.

<sup>45</sup> See the exchange between Senators Feinstein and Stevens, during which Senator Byrd's position was referenced, in "Senate Rules and Administration Committee Holds Markup of S. 223, the Senate Campaign Disclosure Parity Act," CQ transcript, March 28, 2008, at <http://www.cq.com/display.do?dockey=cqonline/prod/data/docs/html/transcripts/congressional/110/congressionaltranscripts110-000002482580.html@committees&metapub=CQ-CONGTRANSCRIPTS&searchIndex=0&seqNum=1625>.

<sup>46</sup> For the 1974 amendments, see P.L. 93-443; 88 Stat. 1263.

<sup>47</sup> The Treasury Department and IRS also have administrative responsibilities for presidential public financing.

<sup>48</sup> No more than three of the six commissioners may be affiliated with the same political party. See 2 U.S.C. § 437c(a)(1).



## Policy Considerations

Perhaps the most fundamental policy question surrounding the FEC is the status of the agency itself. Questions about the commission's structure and effectiveness have long been a topic of debate. In the 111<sup>th</sup> Congress, for example, S. 1648 (Feingold) would replace the FEC with a proposed Federal Election Administration (FEA).<sup>49</sup> Major provisions of the bill would establish a three-member governing body with enhanced enforcement powers. Two similar bills, H.R. 421 (Meehan) and S. 478 (McCain), were introduced in the 110<sup>th</sup> Congress. Neither bill advanced beyond committee referral.

Other FEC issues would not necessarily warrant legislative action, but could be relevant for oversight or appropriations matters. In particular, Congress may wish to monitor the agency as the FEC continues to recover from a six-month loss of its policymaking quorum. Between January and June 2008, only two commissioners remained in office due to a nominations dispute.<sup>50</sup> As a result, the commission was unable to approve (among other things) agency rules and enforcement actions. As noted previously, loss of the commission's operating quorum continues to be relevant for issues left unresolved from the period, such as, until recently, the HLOGA travel rules.

Commission enforcement and operations could also be of interest to Congress. Some Members of Congress have also expressed concern about deadlocked votes at the commission (which can, but do not necessarily, affect enforcement issues).<sup>51</sup> In January 2009, the FEC held two days of hearings on various operations issues. At these wide-ranging sessions, a variety of election lawyers and interest-group representatives both praised and criticized the FEC's procedures and transparency. The agency is also currently reconsidering its Internet presence, including how various constituencies are served through the FEC website. The commission held July and August 2009 hearings on the topic. The commission will also have responsibility for implementing regulatory changes resulting from litigation such as *Citizens United*.

Finally, nominations to the FEC, subject to Senate advice and consent, have received legislative attention during the 111<sup>th</sup> Congress. On April 30, 2009, the terms of two commissioners expired. The term of a third commissioner had already expired. As **Table 1** shows, the term<sup>52</sup> of Commissioner Ellen Weintraub expired in 2007.<sup>53</sup> She remains at the agency in holdover status. The terms of Commissioners Donald McGahn and Steven Walther expired on April 30, 2009; they may also continue to serve in holdover status. A commissioner may remain in office after the expiration of his or term unless or until (1) the President nominates, and the Senate confirms, a replacement; or (2) the President, as conditions permit, makes a recess appointment to the position.<sup>54</sup>

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<sup>49</sup> Some public financing bills also propose to revamp certain aspects of the FEC. See CRS Report RL34534, *Public Financing of Presidential Campaigns: Overview and Analysis*, by R. Sam Garrett, for additional discussion.

<sup>50</sup> For additional discussion, see CRS Report RS22780, *The Federal Election Commission (FEC) With Fewer than Four Members: Overview of Policy Implications*, by R. Sam Garrett.

<sup>51</sup> For additional discussion, see CRS Report R40779, *Deadlocked Votes Among Members of the Federal Election Commission (FEC): Overview and Potential Considerations for Congress*, by R. Sam Garrett.

<sup>52</sup> Commissioners may serve only a single six-year term. See 2 U.S.C. § 437c(2)(A).

<sup>53</sup> CRS analyst Henry Hogue provided consultations on this section.

<sup>54</sup> For additional discussion of recess-appointment powers, see CRS Report RL33009, *Recess Appointments: A Legal Overview*, by T. J. Halstead.



On May 1, 2009, President Obama announced his intention to nominate Service Employees International Union (SEIU) associate general counsel John J. Sullivan to the commission.<sup>55</sup> (Sullivan would have replaced Commissioner Weintraub.) The Senate Rules and Administration Committee held a brief hearing on Sullivan’s nomination on June 10, 2009.

Various campaign finance interest groups took opposing positions on the Sullivan nomination. In particular, groups such as the Campaign Legal Center and the Center for Competitive Politics reportedly disagreed about the extent to which Sullivan’s positions—as expressed while representing the SEIU before the FEC—would have affected his ability to enforce FECA and FEC regulations, particularly regarding political advertising.<sup>56</sup> At the June 10, 2009, Senate Rules and Administration Committee hearing, Sullivan noted that his SEIU work reflected advocacy on behalf of his client, not necessarily his personal willingness to enforce law or regulation. Three Senators who attended the hearing (Chairman Schumer, Ranking Member Bennett, and Senator Chambliss) expressed support for Sullivan’s nomination and noted that they expected him to be confirmed.<sup>57</sup> The committee favorably reported the nomination by voice vote on June 11, 2009. However, the nomination then received no additional action in the Senate. President Obama withdrew the nomination in August 2010. As of this writing, no replacement has been nominated.

**Table 1. Current Members of the Federal Election Commission**

Commissioner	Term Expires	Date Confirmed	Party Affiliation <sup>a</sup>
Cynthia L. Bauerly	04/30/2011	06/24/2008	Democrat
Caroline C. Hunter	04/30/2013	06/24/2008	Republican
Donald F. McGahn	04/30/2009 (remains in holdover status)	06/24/2008	Republican
Matthew S. Petersen	04/30/2011	06/24/2008	Republican
Steven T. Walther	04/30/2009 (remains in holdover status)	06/24/2008	Independent
Ellen L. Weintraub	04/30/2007 (remains in holdover status)	03/12/2003	Democrat

**Source:** Legislative Information System nominations database.

- a. CRS added party affiliation based on the seating chart distributed at FEC meetings and on various media accounts. Previous versions of this report referred to Walther as a Democrat, while noting that some media accounts identified him as an Independent. The FEC seating chart distributed at commission meetings, which this report has also used as a source for party affiliation, now lists Walther as an Independent.

<sup>55</sup> White House, Office of the Press Secretary, “President Obama Announces More Key Administration Posts,” press release, May 1, 2009, [http://www.whitehouse.gov/the\\_press\\_office/President-Obama-Announces-More-Key-Administration-Posts-5-1-09/](http://www.whitehouse.gov/the_press_office/President-Obama-Announces-More-Key-Administration-Posts-5-1-09/).

<sup>56</sup> Dan Eggen, “Obama FEC Choice Draws Mixed Reviews,” *Washington Post* “The Green Zone” Blog, May 5, 2009, at [http://voices.washingtonpost.com/44/2009/05/04/obama\\_sec\\_choice\\_draws\\_mixed\\_r.html](http://voices.washingtonpost.com/44/2009/05/04/obama_sec_choice_draws_mixed_r.html).

<sup>57</sup> For media accounts of the hearing, see, for example, Greg Vadala, “Senate Panel to Vote on Federal Election Commission Nominee,” *CQ Today Online News*, June 10, 2009, at <http://www.cq.com/document/display.do;jsessionid=F809F8996B00CE6FC6BAA91E27FD2911.manono?matchId=80471813>.

## Hybrid Advertising

Hybrid advertising references a clearly identified candidate and makes generic references to other candidates of a political party (e.g., “John Doe and our Democratic team”).<sup>58</sup> Hybrid ads are of potential legislative concern because of a cost-sharing practice associated with the ads. With traditional advertising, the sponsoring entity typically covers all costs. With hybrid advertising, the party and the candidate’s campaign committee share costs. An FEC rulemaking on the issue has been open since May 2007.<sup>59</sup>

## Policy Considerations

The controversy over hybrid advertising concerns whether the method of paying for those advertisements undermines FECA. Those calling for additional regulation of hybrid ads have suggested that cost-sharing represents a “loophole” that permits parties to improperly subsidize campaign spending.<sup>60</sup> This is particularly noteworthy for publicly financed presidential campaigns, which must agree to limit their spending as a condition of receiving public funds. Cost-sharing might also be viewed as way of circumventing limits on coordinated party expenditures.<sup>61</sup> Those who object to current cost-sharing practices allege that shared costs primarily benefit only the named candidate yet allow that candidate’s campaign committee to pay for only a portion (e.g., 50%) of the advertising. Some groups have urged the FEC to adopt regulations attributing 100% of the cost to the named candidate.<sup>62</sup>

If Congress determines that additional regulation of hybrid advertising is necessary, it could wait for the FEC’s ongoing rulemaking to proceed. However, it is unclear if or when the agency will issue new rules. Alternatively, Congress could legislate particular cost-sharing requirements. Doing so could close the arguable loophole surrounding hybrid ads, but would also involve legislating in a technical area more typically left to the FEC.<sup>63</sup>

Congress could also choose to make no changes if it determines that hybrid ads do not circumvent FECA or that additional regulation is unnecessary. Those opposed to additional restrictions suggest that existing FEC regulations provide sufficient guidance on various cost-sharing arrangements, including hybrid advertising. Additional restrictions, including legislation, could also minimize parties’ flexibility to allocate costs according to individual circumstances. That flexibility was a central concern for various party representatives who testified at a July 2007

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<sup>58</sup> The John Doe example appears in Myles Martin, “Hearing on Proposed Rules on Hybrid Ads,” *Federal Election Commission Record*, vol. 33, no. 9 (September 2007), p. 3.

<sup>59</sup> Federal Election Commission, “Hybrid Communications,” 72 *Federal Register* 26569, May 10, 2007.

<sup>60</sup> Brennan Center et al., “Statement of Reform Groups Announcing Government Integrity Reform Agenda for the 111<sup>th</sup> Congress,” press release, November 6, 2008, at [http://www.democracy21.org/index.asp?Type=B\\_PR&SEC={91FCB139-CC82-4DDD-AE4E-3A81E6427C7F}&DE={2FE0F2D2-AEB4-4407-AC92-E268C87FF568}](http://www.democracy21.org/index.asp?Type=B_PR&SEC={91FCB139-CC82-4DDD-AE4E-3A81E6427C7F}&DE={2FE0F2D2-AEB4-4407-AC92-E268C87FF568}).

<sup>61</sup> Through coordinated expenditures, parties may (notwithstanding other provisions in the law regulating contributions to campaigns) buy goods or services on behalf of a campaign, subject to limits. For additional discussion, see CRS Report RS22644, *Coordinated Party Expenditures in Federal Elections: An Overview*, by R. Sam Garrett and L. Paige Whitaker.

<sup>62</sup> Campaign Legal Center and Democracy 21, comments on NPRM 2007-10, submitted to the Federal Election Commission, June 11, 2007, at [http://www.fec.gov/pdf/nprm/hybrid/CLC\\_Democracy\\_21.pdf](http://www.fec.gov/pdf/nprm/hybrid/CLC_Democracy_21.pdf).

<sup>63</sup> See, for example, Bob Bauer, “Hybrid Ads and Public Financing Reform,” *moresoftmoneyhardlaw* blog posting at [http://www.moresoftmoneyhardlaw.com/moresoftmoneyhardlaw/updates/political\\_parties.html?AID=1370](http://www.moresoftmoneyhardlaw.com/moresoftmoneyhardlaw/updates/political_parties.html?AID=1370), November 11, 2008.

FEC hearing.<sup>64</sup> Finally, cost-sharing associated with hybrid ads could also be viewed as the continuation of a long tradition of various contacts between parties and campaigns during campaigns.<sup>65</sup> Therefore, some may fear that additional restrictions on hybrid advertising could threaten the relationship between parties and candidates.

## Joint Fundraising Committees

Joint fundraising committees were particularly active in the 2008 presidential race, but also supported House and Senate contests.<sup>66</sup> Joint committees are of potential legislative concern because some observers contend that they facilitate large contributions that would otherwise be impermissible under FECA.

FECA limits contributions from individuals as shown in **Table 2**. In 2007-2008, individuals could contribute no more than \$4,600 to a candidate campaign (\$2,300 for the primary campaign and another \$2,300 for the general-election campaign).<sup>67</sup> As the table shows, individuals could also donate up to \$28,500 annually to national party committees and up to \$10,000 annually to state or local party committees.

**Table 2. Individual Contribution Limits for the 2007-2008 Election Cycle**

To candidate committees	To national party committees	To district, state, and local party committees	To other political committees (e.g., PACs)	Special Limits
\$2,300 <sup>a</sup> per candidate, per election	\$28,500 <sup>a</sup> per calendar year	\$10,000 per calendar year (combined limit)	\$5,000 per calendar year	\$108,200 aggregate biennial limit <sup>b</sup>

**Source:** Adapted by CRS from Federal Election Commission, "Contribution Limits 2007-08," at <http://www.fec.gov/pages/brochures/contriblimits.shtml>.

- a. These contribution limits are adjusted for inflation in odd-numbered years.
- b. Of the \$108,200 aggregate, no more than \$42,700 may be contributed to candidate committees. No more than \$65,500 may be contributed to PACs and parties.

During the 2008 cycle, joint fundraising committees affiliated with the Democratic and Republican presidential campaigns collected contributions that exceeded the limits discussed

<sup>64</sup> See Federal Election Commission, "Public Hearing on Hybrid Communications," hearing transcript, July 11, 2007, at [http://www.fec.gov/pdf/nprm/hybrid/hybrid\\_hearing\\_transcript\\_071107.pdf](http://www.fec.gov/pdf/nprm/hybrid/hybrid_hearing_transcript_071107.pdf); and Myles Martin, "Hearing on Proposed Rules on Hybrid Ads." Recent attention to hybrid advertising has focused on broadcast communications. However, the concept can also be relevant for other forms of communications.

<sup>65</sup> See, for example, the comments of David Mason, then Vice Chairman of the FEC, in "Public Hearing on Hybrid Communications," pp. 7-11.

<sup>66</sup> See, for example, Brody Mullins, "Georgia Runoff Exposes Gaps in Campaign Finance Law," *Wall Street Journal*, November 19, 2008, p. A3.

<sup>67</sup> The text refers to contributions to privately financed candidates. Contributions to publicly financed presidential candidates (there is no public financing option for congressional campaigns) were limited to \$2,300 in the primary election for the 2008 cycle; additional fundraising for the general election is not permitted. Candidates may also accept additional contributions for separate legal and accounting funds. See 11 C.F.R. § 9003.3. These funds are known as "general election legal and accounting compliance funds" (GELAC). For an overview of GELAC funds see Anthony Corrado, "Public Funding of Presidential Campaigns," in Anthony Corrado, Thomas E. Mann, Daniel R. Ortiz, and Trevor Potter, eds. *The New Campaign Finance Sourcebook* (Washington: Brookings Institution Press, 2005), pp. 195-197. For additional discussion of presidential public financing generally, see CRS Report RL34534, *Public Financing of Presidential Campaigns: Overview and Analysis*, by R. Sam Garrett.

above. In some cases, the committees (often called “victory funds”) reportedly received contributions of \$70,000 or more from a single source.<sup>68</sup> Joint committees then distributed those contributions, in permissible amounts (i.e., consistent with the individual contribution limits), to *other* political committees. Recipients included each party’s presidential campaign, their legal and accounting compliance committees, national party committees, and party committees in targeted states.

### ***Policy Considerations***

As Congress considers whether or how to restrict joint fundraising committees, a key question is whether the House and Senate believe joint committees circumvent FECA. Some joint committees represent an “extra” way to support candidates above the individual contribution limits. A coalition of interest groups has urged the 111<sup>th</sup> Congress to ban joint fundraising committees.<sup>69</sup>

If Congress chooses to restrict joint committees, at least four options exist.<sup>70</sup> First, joint committees could be prohibited. Second, candidate participation in joint fundraising could be restricted. Third, Congress could restrict joint committees’ abilities to transfer funds to other recipients.<sup>71</sup> Fourth, FECA or FEC regulations on coordination could be amended to encompass joint fundraising. If joint fundraising committees were prohibited or restricted, those who wanted to support more than one political committee would have to contribute directly to those committees, within the limits established in FECA. Applying the coordination restrictions to joint committees could limit the amount of permissible transfers among committees. Any of these options could make it more difficult for individuals to make contributions to a single source in the hopes of benefitting multiple recipients.

Conversely, Congress could choose to maintain the status quo if it determines that joint committees do not violate the spirit of FECA. In turn, this conclusion depends on whether one believes that joint committees are a backdoor method of supporting individual candidates or whether joint committees support a variety of party-building activities, as existing FECA provisions and FEC regulations appear to assume. Some also contend that joint committees represent an efficient way to funnel large aggregate contributions, in permissible amounts, to targeted states and political committees. No legislative action is necessary to maintain the status quo.

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<sup>68</sup> See Matthew S.L. Cate, “Multiple pots let political donors give big,” *Arkansas Democrat Gazette*, October 26, 2008, p. 1; Karen E. Crummy, “Campaign Loophole,” *Denver Post*, October 24, 2008, p. A1; and Elizabeth Holmes, “New McCain Fund Gets Around Donation Limits,” “Washington Wire” Blog, *Wall Street Journal* online, April 12, 2008, at <http://blogs.wsj.com/washwire/2008/04/19/new-mccain-fund-gets-around-donation-limits/>; and Matthew Most, “McCain Able to Skirt Limits of Federal Financing,” *Washington Post*, September 17, 2008, p. A4. Large contributions also appear in publicly available disclosure reports filed with the FEC.

<sup>69</sup> Seven groups issued a November 2008 statement containing a shared agenda for the 111<sup>th</sup> Congress. See Brennan Center et al., “Statement of Reform Groups Announcing Government Integrity Reform Agenda for the 111<sup>th</sup> Congress.”

<sup>70</sup> Some of the options discussed here have been proposed by “reform” campaign finance groups. See, for example, David Arkush and Craig Holman, “Campaign Finance ‘Reformers’ Open the Floodgates,” *Roll Call*, June 5, 2008, at [http://www.rollcall.com/issues/53\\_147/guest/25640-1.html](http://www.rollcall.com/issues/53_147/guest/25640-1.html).

<sup>71</sup> This approach could be accomplished either by restricting transfers outright, or by amending relevant law or FEC regulations concerning coordinated expenditures. Coordinated party expenditures are subject to limits based on office sought, state, and voting-age population (VAP). Exact amounts are determined by formula. (See 2 U.S.C. § 441a(d)(3).) For additional discussion, see CRS Report RS22644, *Coordinated Party Expenditures in Federal Elections: An Overview*, by R. Sam Garrett and L. Paige Whitaker.

## Public Financing of Congressional Campaigns<sup>72</sup>

Despite introduction of congressional public financing legislation in virtually every Congress since the 1950s, House and Senate campaigns have always been privately financed. The 1980s and early 1990s were the most intensive period of congressional activity on public financing of House and Senate campaigns. Congressional public financing legislation has only passed both chambers and been reconciled in conference once, during the 102<sup>nd</sup> Congress (1991-1992). President George H.W. Bush vetoed the legislation (S. 3), which would have provided additional funds to those facing certain high-spending opponents, in addition to matching funds and broadcast and postal benefits in certain cases.

Momentum for congressional public financing legislation subsided by the mid-1990s and early 2000s. The issue has received renewed attention in recent Congresses. Five congressional public financing bills were introduced in the 110<sup>th</sup> Congress: H.R. 1614 (Tierney), H.R. 2817 (Obey), H.R. 7022 (Larson), S. 936 (Durbin), and S. 1285 (Durbin). All five bills proposed to publicly fund House or Senate campaigns. All focused on providing grants and other benefits designed to cover all costs of participating candidates. None of the bills advanced out of committee, although the Senate Rules and Administration Committee held a hearing on various congressional public financing issues, including S. 1285, in June 2007.

Five congressional public financing bills have been introduced in the 111<sup>th</sup> Congress. The first bill introduced, H.R. 158 (Obey), would essentially mandate public financing during House general elections by prohibiting candidate spending other than from a proposed public financing fund. In exchange, candidates would receive grants designed to cover full campaign costs. Second, H.R. 2056 (Tierney) proposes a “clean money, clean elections” model, in which participants would receive a combination of grants and matching funds in exchange for limiting campaign spending. Three other bills, H.R. 6116 (Larson), H.R. 1826 (Larson), and S. 752 (Durbin), propose voluntary public financing that provides a base subsidy, matching funds, and, except for H.R. 6116, broadcast vouchers.<sup>73</sup> Unlike most public financing proposals, however, the three bills would not impose spending limits on participants, provided that their private fundraising were limited to \$100 contributions (per election) from individuals. The Committee on House Administration held a July 28, 2009, hearing on H.R. 1826. H.R. 6116, introduced in September 2010, is apparently intended to supersede H.R. 1826. The committee ordered H.R. 6116 reported on September 23, 2010.

## Policy Considerations

The debate over public financing of congressional campaigns is more than 50 years old. In brief, supporters say that public financing can reduce the threat of political corruption, enhance electoral competition, and allow candidates to focus on issues rather than raising money. On the other hand, opponents suggest that private financing is sufficient, particularly in an era when public funds are needed for various other government services. Some public financing opponents believe that government-funded campaign subsidies amount to “welfare for politicians.”<sup>74</sup> The

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<sup>72</sup> For a detailed discussion of congressional public financing, see CRS Report RL33814, *Public Financing of Congressional Campaigns: Overview and Analysis*, by R. Sam Garrett. Some of the material in this section is adapted from that report.

<sup>73</sup> In addition to permitting other funding components, S. 752 contains sense of the Senate language calling for a 0.5% tax (up to \$500,000 annually) on government contracts of more than \$10 million. Legislation to that effect appears in a fourth bill, S. 751 (Durbin).

<sup>74</sup> John Samples, ed., *Welfare for Politicians? Taxpayer Financing of Campaigns* (Washington: Cato Institute, 2005).

spending limits that also often accompany public financing proposals also raise constitutional concerns for those who criticize public financing proposals.

In addition to those perennial issues, one of the most significant questions surrounding public financing proposals is how to design a program that provides enough benefits to allow participants to mount robust campaigns. The level of benefits and spending limits offered in exchange for participation in public financing is particularly important. The three companion<sup>75</sup> bills, H.R. 6116, H.R. 1826, and S. 752 contain a familiar combination of grants and other benefits for participating candidates. Unlike most other proposals, however, the bills would not limit participants' expenditures, provided that their spending were limited to allocations from proposed public financing funds or private fundraising of no more than \$100 per individual contributor, per election. These "small dollar" contributions would also be eligible for federal matching funds.

Regardless of the chosen approach, public financing would not altogether eliminate private money in politics. Virtually all proposals require some private fundraising to establish viability, albeit far less than under private financing. In addition, some observers fear that public financing creates opportunities for more financial influence from less accountable sources, such as independent expenditures and election-related "issue advocacy" by interest groups. Public financing systems generally do not regulate fundraising or spending outside candidate campaigns, although legislation could address such issues.

### **Public Financing of Presidential Campaigns**<sup>76</sup>

Perhaps the most prominent campaign finance issue during the 2008 election cycle was the status of the presidential<sup>77</sup> public financing system. Even before the 2008 campaigns began in earnest, the cycle was widely perceived as the last in which the current public financing system could survive without major reform. The program suffers from low taxpayer participation, resulting in funding shortfalls during recent elections.<sup>78</sup> As the program's financial resources and public participation generally declined in recent elections, so did participation by major candidates.

In 2008, eight candidates received PECF matching funds during the primaries. Senator McCain, the Republican nominee, received public funds during the general-election campaign. Senator Obama, the Democratic nominee, became the first major-party nominee since the program's inception to completely decline public funds. Some observers have suggested that Senator Obama's decision to opt out of public financing, combined with the other challenges discussed above, marks the death knell of the program. Others contend that the public financing program can work well again if reformed.

### ***Policy Considerations***

Until the 2000 election, the public financing program was the major funding source in presidential campaigns, particularly for the general election. Nonetheless, as noted above, public

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<sup>75</sup> The bills are generally similar, but contain some differences. See CRS Report RL33814, *Public Financing of Congressional Campaigns: Overview and Analysis*, by R. Sam Garrett for additional discussion.

<sup>76</sup> For a detailed discussion of the presidential public financing program, see CRS Report RL34534, *Public Financing of Presidential Campaigns: Overview and Analysis*, by R. Sam Garrett. Some of the material in this section is adapted from that report.

<sup>77</sup> On the related topic of proposed public financing for congressional campaigns, see above and CRS Report RL33814, *Public Financing of Congressional Campaigns: Overview and Analysis*, by R. Sam Garrett.

<sup>78</sup> The Presidential Election Campaign Fund (PECF) is funded solely by voluntary "checkoff" designations on individual income tax returns.



financing has become less appealing to candidates in recent elections. Other developments, such as joint fundraising committees allegedly threaten the program's intended emphasis on limiting private fundraising in exchange for public funds.

Maintaining the status quo would leave the public financing program unchanged. If that approach is taken, however, there is widespread agreement that the most competitive candidates will continue to forgo public funds. As a result, the program could be in danger of providing funding only for those candidates with a limited chance of success.

As the preceding discussion suggests, a fundamental policy question is what role—if any—Congress wants public financing to play in presidential campaigns. If that role is to be a prominent one, there is broad agreement that the program needs to be at least partially revamped. Making the program more attractive to competitive candidates, particularly through increased spending limits, is a major focus of several reform proposals. Such efforts will not come without costs. An infusion of funds, through an increased checkoff designation,<sup>79</sup> other revenue sources, increased taxpayer participation, or a combination of all three, would likely be necessary. Public financing can also be controversial along ideological lines, which suggests that strong political will and coalition-building will be necessary if changes to the program are to be enacted.

In the aftermath of the 2008 election cycle, the related issue of small contributions has also been a prominent topic of debate. Although publicly financed *general-election* candidates must agree to forgo private fundraising for their campaigns, public financing is designed to supplement small, private contributions during the *primary* campaign. Currently, the Presidential Election Campaign Fund (PECF) provides a 100% match of individual primary contributions up to \$250. Providing additional matching funds have been a major component of recent reform proposals.

Two bills to revamp the presidential public financing system were introduced in late July 2010. Neither H.R. 6061 (Price, NC) nor S. 3681 (Feingold) have been the subject of additional action. Those bills took root in similar proposals offered during the previous Congress. During the 110<sup>th</sup> Congress, four bills (H.R. 776 (Meehan), H.R. 4294 (Price, NC), S. 436 (Feingold), and S. 2412 (Feingold)) that proposed to restructure the PECF would have matched small contributions at 400% or 500% rather than the current 100%. In addition, the maximum matching contribution would have been lowered to \$200 from the current \$250.

Increasing the match rate from the current 100% to 400% or 500% could increase the effect of small contributions. It could also provide substantially greater resources to publicly financed candidates. However, this approach assumes that sufficient funds would be available in the PECF to cover the additional match. In fact, sufficient funds have been unavailable during portions of recent election cycles.<sup>80</sup> Nonetheless, proposals to reform the public financing program typically include revisions to funding mechanisms.

Congress could also renew the focus on small contributions by permitting publicly financed campaigns to spend larger (or unlimited) amounts of funds raised through small contributions. This approach might or might not include matching funds. The effect could be to encourage candidates to focus their efforts on small contributions, while still providing government assistance for some campaign needs.

However, focusing on small contributions would not necessarily contain campaign costs (another program goal), particularly for those candidates who were able to raise and spend virtually unlimited amounts. In fact, if spending limits were eliminated, public financing could become an

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<sup>79</sup> Currently, individual taxpayers may designate \$3 to the fund; married couples filing jointly may designate \$6.

<sup>80</sup> See CRS Report RL34534, *Public Financing of Presidential Campaigns: Overview and Analysis*, by R. Sam Garrett.

additional, but potentially unnecessary, funding source for those already able to raise substantial private funds.

Finally, public financing could be repealed. This approach would largely or entirely (depending on specifics) eliminate taxpayer funds in presidential campaigns. In the 110<sup>th</sup> Congress, two bills (H.R. 72 (Bartlett), H.R. 484 (Doolittle)) would have repealed parts of the program or the entire program. Neither bill advanced beyond committee referral. In the 111<sup>th</sup> Congress, Representative Cole has H.R. 2992 introduced legislation to repeal public financing for presidential nominating conventions.

## 527 Organizations

FECA focuses largely on political committees, which include candidate committees, party committees, and PACs.<sup>81</sup> In recent years, “527” organizations<sup>82</sup> have shaped some elections even though they are not typically considered to be political committees.<sup>83</sup> America Coming Together and Swift Boat Veterans for Truth, for example, were prominent (and controversial) in 2004.

Much of the concern surrounding 527s has involved the argument that millions of dollars from these organizations affect federal elections without necessarily being regulated by FECA.<sup>84</sup> The precise nature of 527s’ financial impact is open to debate, as various research organizations and interest groups classify individual groups’ activities differently and rely on different data.<sup>85</sup>

Nonetheless, and despite differing data and interpretations of those data, research has consistently shown decreased activity among 527s during the 2008 cycle compared with the 2004 cycle. **Table 3** displays financial summaries from two prominent sources, CQ MoneyLine (a commercial

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<sup>81</sup> On the definition of political committees, see 2 U.S.C. § 431(4). See also 26 U.S.C. § 9002(9) and 26 U.S.C. § 9032(8).

<sup>82</sup> For additional discussion, see CRS Report RS22895, *527 Groups and Campaign Activity: Analysis Under Campaign Finance and Tax Laws*, by L. Paige Whitaker and Erika K. Lunder; and CRS Report RL33888, *Section 527 Political Organizations: Background and Issues for Federal Election and Tax Laws*, by R. Sam Garrett, Erika K. Lunder, and L. Paige Whitaker. As the term is commonly used, 527 refers to groups registered with the Internal Revenue Service (IRS) as *political organizations* that seemingly intend to influence federal elections. By contrast, *political committees* (which include candidate committees, party committees, and political action committees) are regulated by the FEC and federal election law. There is a debate regarding which 527s are required to register with the FEC as political committees.

<sup>83</sup> If Congress chooses to revisit 527s, it may also encounter questions related to organizations regulated under Section 501(c) of the IRC. There is some evidence that 501(c)(4) organizations are also becoming active in federal campaigns. See, for example, Campaign Finance Institute, “Outside Soft Money Groups Approaching \$400 Million in Targeted Spending in 2008 Election,” press release, October 31, 2008, at <http://www.cfinst.org/pr/prRelease.aspx?ReleaseID=214>. On 501(c)s generally during the 2008 cycle, see also Steve Weissman and Suraj Sazawal, *Soft Money Political Spending by 501(c) Nonprofits*, Campaign Finance Institute, Washington, DC, February 25, 2009, <http://www.cfinst.org/pr/prRelease.aspx?ReleaseID=221>. For an overview of restrictions and disclosure requirements, CRS Report RL33377, *Tax-Exempt Organizations: Political Activity Restrictions and Disclosure Requirements*, by Erika K. Lunder.

<sup>84</sup> For additional discussion, see CRS Report RS22895, *527 Groups and Campaign Activity: Analysis Under Campaign Finance and Tax Laws*, by L. Paige Whitaker and Erika K. Lunder, and CRS Report RL33888, *Section 527 Political Organizations: Background and Issues for Federal Election and Tax Laws*, by R. Sam Garrett, Erika K. Lunder, and L. Paige Whitaker.

<sup>85</sup> For example, differences frequently occur when classifying 527s’ party affiliations, activities related to federal elections versus non-federal elections, and transfers among different entities.

tracking service) and the Center for Responsive Politics (CRP).<sup>86</sup> Both sources show that 527s' receipts and expenditures during the 2008 cycle were far below those of the 2004 cycle.<sup>87</sup>

**Table 3. Receipts and Expenditures of 527 Organizations, 2004 and 2008 Election Cycles**

	2003-2004	2007-2008	Change from 2003-2004—2007-2008
Receipts (CQ MoneyLine "key" groups)	\$530.8 million	\$332.9 million	-37.3%
Receipts (CRP, groups with a "federal focus")	\$430.7 million	\$240.5 million	-43.1%
Expenditures (CQ MoneyLine "key" groups)	\$533.1 million	\$310.0 million	-41.9%
Expenditures (CRP, groups with a "federal focus")	\$438.9 million	\$247.3 million	-43.7%

**Sources:** Total receipts and expenditure data appear in the CQ MoneyLine database at <http://moneyline.cq.com/pml/irs527s-receipt-ranked.do?pageIndex=0&electionCycleId=15> for 2007-2008; and <http://moneyline.cq.com/pml/irs527s-receipt-ranked.do?pageIndex=0&electionCycleId=13> for 2003-2004; and the Center for Responsive Politics at <http://www.opensecrets.org/527s/index.php>. CRS calculated the percent change column.

**Notes:** Data reflect those groups that each source regards as influencing federal elections, not all groups. Data were accessed in December 2009. These data differ from figures provided in some previous versions of this report. 527 data vary frequently by source and as reports are amended. Figures in the table are rounded.

### Policy Considerations

The 527 issue can be considered from both financial and regulatory perspectives.<sup>88</sup> Financially, 527s remain a significant force surrounding some targeted races.<sup>89</sup> 527s also continue to command substantial financial resources overall. Nonetheless, 527s' decreased financial activity suggests that the issue might not receive as much policy attention as 527s have in recent years.

Even with decreased financial activity, however, the matter of regulating 527s continues to be controversial. Indeed, the major policy question surrounding 527s is whether all such organizations should be regulated as political committees under FECA. Thus far, the FEC has made case-by-case determinations of whether 527s' activities required them to register as political committees. Particularly after the 2004 elections, the FEC assessed major fines against some 527s for failing to register as political committees. However, because fines were not assessed until well after the election and represented a small portion of the organizations' operating budgets, some

<sup>86</sup> Both are prominent and frequently used sources of campaign finance data. Other sources, however, may offer different data or interpretation.

<sup>87</sup> In interpreting the data, it is important to note that overall fundraising and spending are not necessarily a proxy for involvement or influence in federal elections. The variance in the data shown in **Table 3** also underscore that the precise nature of 527s' activities is sometimes unclear.

<sup>88</sup> Litigation has also occurred on the 527 issue. That topic is beyond the scope of this report.

<sup>89</sup> See, for example, Campaign Finance Institute, "Outside Soft Money Groups Approaching \$400 Million in Targeted Spending in 2008 Election."

critics contended that the penalties and current regulation of 527s were insufficient.<sup>90</sup> Controversy over FEC enforcement regarding 527s continues today.<sup>91</sup>

Against this backdrop, some have suggested that all 527s should be required to register with the FEC as political committees. In the 110<sup>th</sup> Congress, H.R. 420 (Meehan) and S. 463 (McCain) would have amended FECA to treat 527s as political committees, with some exceptions. Requiring 527s to register as political committees would make those organizations subject to contribution limits and other requirements in FECA, just as all political committees are today. Those advocating additional regulation of 527s generally suggest that these groups' activities clearly influence federal elections and, therefore, should be captured by FECA. Others, however, contend that placing additional regulations on 527s is unnecessary and could stifle the groups' political speech.<sup>92</sup>

### **Activity on Legislation Related to Campaign Finance: Restricting Campaign Activity by Certain State Election Officials**

Election administration is not necessarily related to campaign finance policy. Some legislation, however, can affect both policy areas. Although devoted primarily to election administration, H.R. 512 proposes to amend FECA. Therefore, the FEC would implement the measure if it became law.

As passed by the House (296-129) on September 29, 2010, H.R. 512 (Davis, CA) would prohibit "chief State election administration officials" (e.g., Secretaries of State) from "tak[ing] an active part" in managing or otherwise being involved in federal election campaigns if the official "has supervisory authority" for administering the relevant election.<sup>93</sup> Among other restrictions, the bill would prohibit a chief election official from "serving as a member" of a federal candidate's principal (authorized) campaign committee or engaging in fundraising for their campaigns. The bill would provide an exemption for involvement in a family member's federal campaign.

### **Policy Considerations**

As H.R. 512's findings section suggests, the bill could reduce the potential for conflicts of interest among officials who are involved in both campaigning for, and supervising the elections of, federal candidates. At a June 10 markup of the bill, some Members expressed concern that H.R. 512 appeared to presume that election officials could not objectively separate campaign activities and election-administration duties, and might unnecessarily limit election officials' political activities. Representative Lungren, ranking member of the Committee on House Administration,

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<sup>90</sup> See, for example, Democracy 21, "Democracy 21 and Campaign Legal Center Statement on FEC Finding that The Media Fund Illegally Spent Over \$50 Million in 2004 Election," press release, November 19, 2007, at [http://www.democracy21.org/index.asp?Type=B\\_PR&SEC={7248831A-87CA-4C2D-B873-60C64918C920}&DE={52D51D31-06C3-46FA-A0AA-23DFF3E7A7EA}](http://www.democracy21.org/index.asp?Type=B_PR&SEC={7248831A-87CA-4C2D-B873-60C64918C920}&DE={52D51D31-06C3-46FA-A0AA-23DFF3E7A7EA}).

<sup>91</sup> See, for example, Kenneth P. Doyle, "FEC Set to Consider Rule on 'Bundling'; Drops Case Against Chamber 527 Group," *Daily Report for Executives*, December 17, 2008, p. A7.

<sup>92</sup> For additional discussion, see CRS Report RS22895, *527 Groups and Campaign Activity: Analysis Under Campaign Finance and Tax Laws*, by L. Paige Whitaker and Erika K. Lunder; and CRS Report RL33888, *Section 527 Political Organizations: Background and Issues for Federal Election and Tax Laws*, by R. Sam Garrett, Erika K. Lunder, and L. Paige Whitaker. Political committees are considered 527s for tax purposes, but not all 527s are considered political committees for federal-election purposes.

<sup>93</sup> On passage, see "Federal Election Integrity Act of 2010," House vote 563, *Congressional Record*, daily edition, vol. 156 (September 29, 2010), p. H7372. On debate, see "Federal Election Integrity Act of 2010," debate in the House, *Congressional Record*, daily edition, vol. 156 (September 28, 2010), pp. H7145-7148.

reiterated those themes during floor debate. By contrast, Representative Susan Davis countered that the measure was reasonably limited to thwarting potential corruption and designed to enhance integrity in the electoral process.

As Congress considers H.R. 512, at least two points, in addition to those discussed above, could be relevant. First, if Congress is primarily concerned about real or potential conflicts of interest among a state's *chief* election-administration officials, the language proposed in H.R. 512 could be sufficient. The bill does not, however, propose to regulate conduct by other election officials. Second, the scope of at least one element of the bill is potentially unclear. As noted above, H.R. 512, would prohibit a chief state election-administration officer from "serving as a *member* of an authorized committee of a candidate for Federal office."<sup>94</sup> In a practical sense, this language suggests that affected election-administration officials would be prohibited from active involvement in a federal candidate's campaign. The term "member," however, is not defined in FECA or in FEC regulations. Although the term "political committee" might connote membership, those involved in campaign management are also not typically referred to as committee members, which suggests potential ambiguity about which campaign roles the bill intends to regulate.<sup>95</sup> If a more precise meaning of "member" were a concern, Congress could amend the bill to more explicitly identify particular campaign roles or duties. The FEC could also clarify the scope of that portion of the language through a rulemaking if H.R. 512 becomes law.

## Overarching Policy Concerns and Concluding Comments

For some, a steady increase in money flowing through the 2008 and 2010 election cycles suggests that the campaign finance system is in need of significant reform. Others contend that the primary focus should not be on the amount of money in politics, but on the way in which that money is regulated. For many, existing regulation is already too cumbersome. Both election cycles will undoubtedly inform deliberations about how, if at all, to examine campaign finance policy during the 111<sup>th</sup> Congress. Some of the issues discussed in this report are closely tied to recent elections. Others have been prominent for several election cycles and have received congressional attention in the past.

All the issues discussed in this report are essentially technical questions about how to regulate a particular facet of campaigns. Reaching consensus on these points can be difficult. There are, however, common themes that tend to organize the debate over campaign finance policy. Even when Members of Congress disagree about particular approaches, these themes can serve as useful starting points for considering policy options and debate.

## Amounts and Sources of Money

Whether there is "too much" money in American elections is a hotly debated topic. For some, the billions of dollars involved in federal campaigns signal potential corruption. The "money chase" of campaigns also allegedly prevents candidates and officeholders from concentrating on serving their constituents.<sup>96</sup> Others counter that fundraising is an important test of a candidate's political viability and that the amount of money spent on American elections is far less than the amount

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<sup>94</sup> H.R. 512, Sec. 3(c)(1); emphasis added.

<sup>95</sup> Although it is not standard practice, some political committees might refer to *membership* by way of internal designations among campaign staff or volunteers (e.g., members of a finance committee, suggesting a group of fundraisers).

<sup>96</sup> The "money chase" analogy appears in David B. Magleby and Candice J. Nelson, *The Money Chase: Congressional Campaign Finance Reform* (Washington: Brookings Institution Press, 1990).

spent on consumer goods.<sup>97</sup> It is unlikely that this ideologically charged debate will be resolved in the foreseeable future.

Even if the debate over *amounts* money is not resolved, *sources* of funds could be ripe for legislation or oversight. The debate over 527s demonstrates that some entities' financial activities remain contentious. Similarly, the debate over public financing can be viewed as an attempt to steer candidates toward lower campaign spending with incentives (or requirements) to limit private fundraising. Bundling, hybrid advertising, and joint fundraising also raise policy questions about whether these funding sources should be further regulated.<sup>98</sup>

## Transparency

Transparency is typically accomplished through disclosure. Most of that information is then made publicly available. The details of which activities should be disclosed, and in which amounts, are sometimes controversial, but disclosure is generally accepted as a hallmark of campaign finance policy.

The debate over electronic filing of Senate campaign finance reports has the most obvious connections to transparency. For some, the current form of paper filing is wasteful and causes unnecessary delay in providing information to the public. For others, broader disclosure concerns should also be addressed if Senate electronic filing is reconsidered. Senate prerogative may also be a concern.

Other recent issues may also be considered from a transparency perspective. In particular, new disclosure requirements related to bundling—enacted in the 110<sup>th</sup> Congress and potentially subject to expansion or revision during the 111<sup>th</sup> Congress—represent an effort to provide more information about how some large contributions are raised. On the other hand, those efforts may cause an additional compliance burden or inhibit some donors from participating (at least as they otherwise would).

## Scope of Regulation

Perhaps the most fundamental questions in campaign finance policy is which behaviors should be subject to FECA or FEC regulations, and to what extent. As Congress decides how or whether to address campaign finance issues in the 111<sup>th</sup> Congress, these questions are again likely to be at the forefront of debate. All the policy issues addressed in this report could involve placing new requirements on members of the regulated community.

Among the issues discussed in this report, debate has essentially focused on whether bundling, electronic filing, hybrid advertising, joint fundraising, recent developments in presidential public financing, and 527s undermine various requirements in FECA. More generally, the FEC itself may be reevaluated if Congress determines that its structure or effectiveness is insufficient for current needs. If Congress decides to address these or other campaign finance issues, a key question will be whether they are to be considered alone or jointly. All the issues discussed in this report could be self-contained. Some of the issues are also interactive. This is particularly true for

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<sup>97</sup> On the latter point, see, for example, George F. Will, "Call Him John the Careless," *Washington Post*, October 23, 2008, p. A23. On anti-regulatory arguments generally, see John Samples, *The Fallacy of Campaign Finance Reform* (Chicago: University of Chicago Press, 2006).

<sup>98</sup> Regulating political money may also raise constitutional questions, a topic that is beyond the scope of this report. For an overview, see CRS Report RL30669, *The Constitutionality of Campaign Finance Regulation: Buckley v. Valeo and Its Supreme Court Progeny*, by L. Paige Whitaker.



presidential campaign financing, which has clear connections to public financing, bundling, hybrid advertising, and joint fundraising.

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